

Director of Central Intelligence

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National Intelligence Estimate

## Mexico: Midterm Electoral Prospects

National Intelligence Estimate  
Memorandum to Holders

Key Judgments

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**Memorandum to Holders of NIE 81-84,  
*The Outlook for Mexico***

**MEXICO: MIDTERM  
ELECTORAL PROSPECTS**

**KEY JUDGMENTS**

The full text of this Estimate  
is being published separately  
with regular distribution.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

*The following intelligence organizations participated in the preparation of the Estimate:*

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

*Also Participating:*

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

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## SCOPE NOTE

In our April 1984 National Intelligence Estimate 81-84, *The Outlook for Mexico*, we warned that "the Mexican political system is under greater stress today than at any time in the last 30 years," and that, ultimately, "the preservation of Mexico's stability will rest on the skill and competence of its leaders and on the strength of its political fabric." The Intelligence Community was divided over the prospects for political destabilization in Mexico in the next several years, but there was unanimous agreement that in the coming years Mexico will suffer a series of political and economic crises, which the United States will need to monitor closely to protect its own vital interests.

This Memorandum to Holders updates that Estimate, with particular attention to the implications of the coming (July 1985) legislative and gubernatorial elections on near-term political prospects. The Memorandum also assesses the longer term implications of Mexico's continuing economic difficulties.

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## KEY JUDGMENTS

Mexican President de la Madrid was able to demonstrate strong leadership during the earlier part of his six-year term by dramatically reversing the grave economic crisis that confronted him when he took office in 1982. He took advantage of a broad Mexican consensus that new policies were needed to solve the country's difficulties by pushing economic austerity as well as political reform and moral renovation. This consensus has eroded over the past year or so as a result of pressure from conflicting government and party interests, and he has had to modify his goals in order to achieve an acceptable compromise. He has relaxed his economic austerity program, thereby enhancing support for his party in the coming 1985 midterm elections. He has also [redacted]

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[redacted] to win elections and altered his strategy on curbing corruption by generally not targeting top-level officials. These actions partially reflect a pragmatic recognition of the economic and political restraints facing him as well as political infighting among his advisers, including maneuvering by several major subordinates to succeed him.

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De la Madrid's leadership will be put to the test on 7 July 1985, when Mexico will hold elections for all seats in the Chamber of Deputies, for seven governorships, and for numerous local offices. The elections are particularly important because they will come at a time when the ruling party's prestige and popularity appear low by historical standards. A victory by the Institutional Revolutionary Party (PRI) without widespread violence or blatant fraud would reaffirm de la Madrid's overall standing, possibly increasing his leverage with powerful opposing interests. However, de la Madrid's influence would be weakened if the party were forced to concede a key governorship [redacted]

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[redacted] The outcome will also affect the pace at which de la Madrid believes he is able to move forward with reform of the political system and will test the nationwide appeal of the opposition.

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The center-right National Action Party (PAN) currently poses the greatest political challenge to the PRI, but the PAN's strength is concentrated primarily in the northern states. Elsewhere in the country, the PAN is generally small and presents little threat to the ruling party. Mexico's weak and divided leftist parties will provide only token competition for the PRI, in our judgment. We expect the USSR, Cuba, and other Communist states to have little, if any, influence on the outcome of the elections. In the near term, the Soviets almost certainly

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do not want to jeopardize their present bilateral relationship with Mexico, because it enables them to promote a number of their interests, including a large intelligence apparatus in the capital and valuable access to Central American subversive groups.

Opposition parties will seek to capitalize on dissatisfaction with the PRI's performance and are likely to emphasize continued economic problems, [ ] drug trafficking. Although de la Madrid's austerity policies have brought Mexico back from the brink of financial disaster, they have involved high social costs. Budget cuts have reduced subsidies for food and other consumer goods and, we estimate, the real purchasing power of most Mexicans has fallen by a third since de la Madrid assumed office.

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In preparation for the election year, the government shifted to more stimulative policies in mid-1984 as a means of creating more jobs and arresting the decline in living standards. As a result, the Mexican economy grew by some 3.5 percent in 1984. These actions, however, have kept inflation high and will probably cause Mexico to miss some key IMF targets, particularly the budget deficit. Furthermore, the balance of trade surplus has fallen sharply so far this year, the peso has again become overvalued, and capital flight is once more a serious problem.

We believe [ ]

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[ ] that the de la Madrid administration is attempting to sweep the elections by pumping extra resources into its campaigns [ ]

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Electoral irregularities, in our judgment, may spark violent protests by PAN supporters in Sonora and possibly elsewhere in the north, particularly [ ] We anticipate that civil disturbances for the most part will be localized and without strong leadership. Incidents of violence may be magnified by international media coverage, but they are likely to be quickly tamped by the Army and other security forces.

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We envision several scenarios:

- The greatest likelihood is that the PRI will retain control of the vast majority of elective offices, including all governorships, with minimal violence despite use of fraud where necessary.
- We believe it is less likely that, while the PRI will win most contests, including all governorships, such victories will be marred by serious and widespread disorders.
- There is only a remote possibility that the PRI will acknowledge a PAN victory in any state. We believe PAN's best chance of capturing a governorship is in Sonora.



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Even if the de la Madrid administration emerges from the 1985 elections relatively unscathed, the government is likely to face continued economic and political difficulties through the end of the President's term in 1988. In 1986, the ruling party is scheduled to face an even greater number of gubernatorial contests, and the administration's economic policies will remain contentious. In addition, we judge that he will be unable to make major reforms in the political system [ ]

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[ ] Moreover, the constraints on the de la Madrid administration are likely to grow during the remaining three years of his term.

De la Madrid's difficulties probably will be most acute on the economic front. A continuation of present policies, while temporarily spurring economic growth, will prevent Mexico from meeting most of its 1985 International Monetary Fund targets. Furthermore, the weak trade performance, combined with large interest payments on its foreign debt, may cause Mexico to experience its first current account deficit since the financial crisis of 1982.

Following the elections, we believe de la Madrid will attempt to continue essentially stimulative policies while implementing some belt-tightening measures to cool the overheated economy and placate the IMF and the international banking community, including more rapid devaluation of the peso and cuts in government spending. Nevertheless, we expect Mexico's economic difficulties will continue, and as a result, de la Madrid is likely to face increased and conflicting pressures from influential sectors in the government and the ruling party. These pressures are likely to mount as the 1986 elections approach, placing greater political constraints on his ability to make difficult economic and other decisions.

Despite these problems, we do not expect the July 1985 elections to have major repercussions for US-Mexican relations in the short term under the most likely scenario. The importance de la Madrid attaches to the bilateral relationship is somewhat offset by general anti-American resentment, which can quickly surface in Mexico, as it did following US allegations of corruption at high levels within his government. Thus, it is problematic whether de la Madrid will be more receptive to greater cooperation in areas of key concern to the United States, such as narcotics control, immigration, and Central America.

Relations could be seriously aggravated in the less likely event of serious disorders in the north [ ]

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[ ] Such violence would also discourage international investment and foster greater illegal

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migration. Should PAN capture a governorship, the de la Madrid administration would be wary of any links between the opposition and US groups, possibly introducing greater discord in bilateral relations.

Whatever the election outcome, we believe the situation in Mexico will continue to present problems for key US interests [REDACTED]

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[REDACTED] The existing constraints on the de la Madrid administration, combined with Mexico's continued economic problems, are likely to sustain the potential danger of political instability. In the event of a major domestic crisis, the PRI may be tempted to exhort traditional anti-American feelings, which run deep through Mexican society, in order to rally public support and retain political backing. The Soviet Union and Cuba are likely to watch such developments closely for opportunities that might benefit their relationship with Mexico.

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